



# *Local Government Property Insurance Fund*

## *News and Views*

*A Publication for Policyholders*

July 2005

Volume 1, Number 1

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### *Introducing Dean Boes, District Manager for The ASU Group*

ASU has again bolstered their commitment of excellence to customer service and support of the Fund by adding a full time District Manager who is located at the Madison Office. Dean is responsible for managing all aspects of fund support and administration by The ASU Group on behalf of LGPIF.

Dean Boes  
District Manager  
Direct Dial: (608) 821-1188  
Cell Phone: (608) 436-1706

[dea2406@asugroup.com](mailto:dea2406@asugroup.com)

## **Advisory Committee Report**

*By: Lowell Carter, Branch Manager*

### **ADVISORY COMMITTEE HOLDS SPRING MEETING**

The Advisory Committee had a lengthy agenda to discuss at the April 6 meeting held in Madison.

Highlights of the meeting included...

- A recommendation to the Oversight Committee that the Fund adopt substantial rate reductions. Percentages vary by line of insurance. Policy holders will receive a detailed letter explaining rate reductions.
- A report from the Fund's Insurance Program Officer advising that excess of loss (reinsurance) program renewed at expiring terms with limits increasing by \$50 million and premium being reduced by over \$700,000.
- An update on the electronic statement of values project that continues to progress.
- A report from the Fund's accountant stating that as of December 31, 2004 surplus (net worth) reached \$27 million, up from \$24 million one year earlier. More financial information from this report is contained in the article entitled "Financial Report" on page 5 of the newsletter.
- An ASU staff report indicating that insurance in force is up 2.2% while overall premium declined by 5.3%, due to some policyholder terminations and many policyholders taking higher deductibles.
- Welcoming new appointees to the Committee; namely, Ken Tronnier of Portage County, Pete Masias of the City of Green Bay, and Diane Pertzborn of Lodi Public Schools.

## Dates to Remember:

Advisory Committee  
October 5, 2005, 9:30 a.m.  
GEF 3, Room 227

Oversight Committee  
October 26, 2005, 9:00 a.m.  
GEF 3, Room 116

Surveys and Policy  
Forms are now  
available at the OCI  
Website: (Under Forms)  
[oci.wi.gov/lgpif.htm](http://oci.wi.gov/lgpif.htm)

### Important Reminders

#### PREMIUM PAYMENTS

Please return your  
remittance notice with  
your check to:

LGPIF  
Drawer 976  
Milwaukee, WI 53293-0976

Your account cannot be  
identified without this  
copy and therefore will not  
be credited.

This lockbox is for  
payments only. Do not  
send correspondence to  
this address.

# Oversight Committee Actions

By: Lowell Carter, Branch Manager

The Oversight Committee for the Local Government Property Fund met in Madison on April 18 to consider recommendations from the Advisory Committee, review financial results from the first six months of the fiscal year, and hear staff reports.

The Committee accepted all resolutions from the Advisory Committee (see Advisory Committee article elsewhere in this publication) and will present them to the Commissioner for approval.

The Fund's Insurance Program Officer, Dan Bubolz reported that a new consulting actuarial firm has been retained. The firm is AMI Risk Consultants of Miami, FL. Dan also noted that a Probable Maximum Loss study will be conducted on the largest ten individual risks in the Fund.

Financially, the Committee agreed that the Fund is in sound position with good growth in surplus, and claims experience continues to trend favorably.

ASU staff presented a "Projects and Priorities" list outlining the most important tasks coming up for 2005. They include: obtaining more accurate and measurable data to evaluate the administrator's performance, simplifying the renewal process with respect to listing owned vs. non-owned property, implementing an electronic statement of value process for use by renewal policyholders, determining relevancy of the Total Component Method of property appraisals, and developing regional educational programs for policyholders.

# Terrorism Coverage Update

By: Lowell Carter, Branch Manager

Late in December of 2004 the Fund sent a notice and endorsement to all policyholders advising of potential reductions in terrorism coverage due to uncertainty over the Federal Government's intent to extend the Terrorism Risk Insurance Act of 2002 (TRIA) which is set to expire December 31, 2005. On a positive note existing coverage for terrorism losses provided by the Fund will remain in place through March 31, 2006 because the Fund was able to renew its excess of loss (reinsurance) program at expiring terms. The latest word from key congressional leaders involved with TRIA indicates that renewing the Act may be difficult, especially with all of its current provisions. If TRIA is not extended at year end, it is possible that the Fund will only provide coverage for fire losses due to terrorist acts and for insurance industry losses that total less than \$25,000,000. If that happens the conditional endorsement that you received with the December 2004 mailing, which contains these limitations, would become effective on March 31, 2006. We will continue to keep you informed of any new developments involving TRIA and Fund terrorism coverage.

## Advisory Committee Members

Kevin Houlihan,  
City of Madison  
Glinda Loving,  
Milwaukee Metro  
Sewer District  
Laura Stauffer,  
Waukesha County  
Nicholas Alioto,  
Tigerton School Dist.  
Carole Charles,  
Outagamie County  
Connie Fisher,  
Chippewa County  
Gary Hansen,  
Rosendale-Brandon  
School District  
Julee Helt,  
Village of Waunakee  
Don La Fontaine,  
City of Oshkosh  
Andrew Licata,  
Hayward Community  
Schools  
Keith Lucius,  
Ashwaubenon  
School District  
Peter Masias,  
City of Green Bay  
Diane Pertzborn,  
School District of Lodi  
John Rath,  
Milwaukee County  
Harold Reckelberg,  
Town of Luxemburg  
Ken Rogers  
Eleva Strum School  
District  
John Roth,  
Lake Geneva  
School District  
Jerry Runice,  
Berlin School  
District  
Doug Saubert,  
City of Whitewater  
Ken Tronnier,  
Portage County  
Barb Wegner,  
Dane County

# Valuation Vs. Co-Insurance

By: Lowell Carter, Branch Manager

## IS A VALUATION POLICY REALLY THAT MUCH BETTER THAN A COINSURANCE POLICY?

We think so! Here's why:

- **Extra Expense Coverage** – V policy includes coverage; C policy has a \$5,000 limit, more by endorsement.
- **Ordinance or Law Coverage** – V policy includes coverage to pay for increased cost of construction due to new building codes; C policy provides no coverage.
- **Building, Contents, Property in the Open Coverage** – V policy provides replacement cost coverage regardless of the amounts on the statement of values; C policy is limited to the amounts on the insured's statement of values and requires 100% replacement cost limits or a penalty can apply in a claim settlement.
- **Unscheduled Locations Limited Coverage** – V policy provides limited coverage for property that someone forgot to list inadvertently; the C policy provides no coverage.
- **Valuable Papers Coverage** – V policy includes coverage; C policy limits coverage to \$10,000 with more available by endorsement.
- **Surface Water Coverage** – V policy includes coverage if property not in an "A" or "V" flood zone as designated by FEMA; C policy provides no coverage.
- **Removal of Pollutants Coverage** – V policy includes up to \$50,000 limited coverage; C policy excludes any coverage for pollutants.
- **Aggregate Deductible Coverage** – V policy makes available deductibles of \$5,000 to \$100,000 with an aggregate stop loss; C policy has no such option.
- **Contractor's Equipment Coverage** – V policy includes coverage for equipment valued up to \$5,000; C policy only provides coverage by endorsement.
- **Power Surge to Electrical Appliances** – V policy includes coverage; C policy excludes coverage to appliances other than office equipment.
- **Inland Marine and Property in Transit** – V policy includes coverage; C policy has no I M coverage and only \$2,500 while in transit.
- **No Difference in Premium** - Rates are the same for a V policy as a C policy. One-time paperwork must be completed for each location to make the conversion from the C to the V.

Reminder: this article does not provide coverage; only your policy does that.

Did you know?????

## FLOOD RESISTANT MATERIALS

By: *Lowell Carter, Branch Manager*

If you are building or remodeling property in a flood-prone area, here are some commonly available flood-resistant materials that you might want to use:

**Floors:** concrete and concrete tile, ceramic clay, terrazzo vinyl, rubber tile, pressure treated (PT) and naturally decay-resistant lumber

**Walls and Ceilings:** brick, concrete, concrete block, glass block, stone, ceramic and clay tile, cement board, polyester epoxy paint, PT and naturally decay-resistant lumber, PT and marine grade plywood, closed cell and foam insulation

**Other:** metal doors and cabinets

# Policy Questions & Answers

By: *Sue Hoffman, Policy Supervisor*

Q. Does the Fund policy cover **vacant buildings**?

A. There is no coverage for buildings vacant over 60 days unless a vacancy permit is endorsed onto the policy. A vacant building is defined as one “containing no personal property pertaining to operations or activities customary to occupancy of the building.” Please call Policy Services to discuss.

Q. Should I include heavy equipment **attachments** in the value of my contractor's equipment?

A. If the equipment is licensed for road use, the attachments should be insured separately under contractor's equipment. If equipment is not licensed, the attachments should be added to the value of the equipment. Examples of equipment to be listed on the Contractors Equipment list are Plow Wings and Blades.

Q. How do I **cancel** my policy?

A. You may terminate Fund insurance coverage by a majority vote of the unit's board and, upon certifying such action to the Commissioner of Insurance. The Fund will make that termination effective upon expiration of the unit's policy, unless the unit specifies an earlier date for termination. In instances of a mid-term cancellation the termination date may not precede the date of the vote taken to terminate Fund coverage. A 10% penalty on any unearned premium will also be charged on any mid-term terminations. There is no charge if the policy is cancelled on its expiration date.

Q. What is the definition of **Fine Arts** and is coverage included in my policy?

A. The definition of Fine Arts is “Any works of art, works of rarity, works of historical values, works of artistic merit, photographs, lithographs, gallery proofs, original records and similar property.” The policy states that the most the Fund will pay for any one Fine Arts item is \$50,000 unless you insure those items for specific amounts by providing a schedule to the Fund. Your declaration will contain a coverage line for “Fine Arts” if a schedule has been provided.

Q. My **valuable records** are retained at a storage facility. Are they covered?

A. You have unlimited coverage on valuable records subject to policy exclusions, but to have the coverage the location must be listed on your policy.

## Keep an eye on your seat.

By: *Greg Grunow, Claim Supervisor*

An interesting trend has been happening the last several months. There have been several thefts of bleachers reported to the Fund. The thief will make off with 3-12 rows of bleachers. The bleachers are typically aluminum and the thief will then sell the scrap.

So if you have bleachers listed on your policy, you may wish to take additional precautions to ensure they won't be stolen.

Q. Can I insure equipment that I **do not own**?

A. No, not unless you are legally obligated to insure the equipment (i.e., under a lease agreement). All written agreements addressing non-owned property insurance obligations must be submitted to the Fund administrator for review prior to coverage being bound.

Q. Do I need to list my **computer equipment** separately as I did with my previous carrier?

A. No, computer equipment is included in your contents value. However, you must list your 911 systems, police channel communications systems, broadcast systems; AWOS weather systems and CCTV systems on the Valuation Project Input Forms.

Q. Do I need to purchase **Builders Risk** coverage for a building under \$250,000?

A. No, the building is covered automatically until renewal. But, you will not have coverage for excavation, grading, and filling and coverage for hydrostatic pressure unless you add builders risk coverage. Builders Risk also provides coverage for property in the open within 200 feet of the described premises and property in the custody of the builder.

Q. When are my **premiums due**?

A. Premiums are payable to the Fund within 60 days of billing or the effective date of the policy, whichever is later.

Q. When will we receive our **budget letter**?

A. Budget letters are mailed at least 60 days prior to renewal. They are printed in the same format as your policy but using yellow paper. We have changed the format to make it easier for you to read. **Do not make a payment based on the budget letter.** Please wait for your renewal policy (blue paper) issued during the month of your renewal.

Q. Can you provide **alternate renewal quotes** for my renewal as we need to compare the Fund premium to other quotes we have obtained?

A. Yes, we can provide alternate quotes to you. Many companies are quoting higher deductibles, so if you are quoting your insurance make sure you request a similar quote from us so that you are comparing apples to apples.

# Financial Report

*By: Lowell Carter, Branch Manager  
And Dave Marchant, CPA, MBA*

The first six months of the 2005 fiscal year have been solid ones for the Fund. Although premium is down slightly from 2004, surplus has reached \$27 million, up from \$24 million for the same period last year. Some policyholders have left the Fund and the higher deductibles have also resulted in lower premium levels. Direct written premium is \$12.8 million resulting in an underwriting gain of just under \$2.5 million.

A very good combined ratio of .77 was achieved after all reinsurance costs and recoveries. Claim volume remains low with one very large claim accounting for most of the incurred loss dollars for the first half of the year.

**Local Government Property Insurance Fund**  
**Premium by Entity & by Line**  
**Direct Incurred Losses Developed Prior Four Years (no IBNR is included)**

	Fiscal Year Ended June 30,				YTD 2nd Qtr	TOTAL	
	2001	2002	2003	2004	12/31/2004 Fiscal 2005		
<b>Direct Premium Earned by ENTITY</b>							
Counties	3,392,803	3,467,095	4,294,212	5,791,292	2,693,774	19,639,176	24%
Schools	3,260,641	4,375,646	5,889,541	9,923,837	4,876,881	28,326,546	35%
Cities	2,708,334	2,953,754	4,240,879	6,538,734	3,178,909	19,620,610	24%
Towns	516,872	475,978	553,773	760,061	344,701	2,651,385	3%
Villages	815,760	928,755	1,429,460	2,411,228	1,110,703	6,695,906	8%
Other	568,571	631,662	838,160	1,239,233	561,735	3,839,361	5%
<b>Total</b>	<b>11,262,981</b>	<b>12,832,890</b>	<b>17,246,025</b>	<b>26,664,385</b>	<b>12,766,703</b>	<b>80,772,984</b>	

<b>Direct Premium Earned by LINE</b>							
Fire	3,616,520	4,549,487	5,771,338	7,873,058	3,572,043	25,382,446	31%
Extended Coverage	3,406,694	4,296,512	6,453,612	12,410,775	6,632,530	33,200,123	41%
Inland Marine	1,657,360	1,497,885	1,699,065	1,900,056	787,374	7,541,740	9%
Burglary & Theft	332,843	241,554	229,395	271,373	115,306	1,190,471	1%
Sub-Total EC,IM & BT	5,396,897	6,035,951	8,382,072	14,582,204	7,535,210	41,932,334	52%
Sub-Total Non-Auto	9,013,417	10,585,438	14,153,410	22,455,262	11,107,253	67,314,780	83%
Automobile PD	2,249,564	2,247,452	3,092,615	4,209,123	1,659,450	13,458,204	17%
<b>Total</b>	<b>11,262,981</b>	<b>12,832,890</b>	<b>17,246,025</b>	<b>26,664,385</b>	<b>12,766,703</b>	<b>80,772,984</b>	

<b>Direct Losses Incurred by ENTITY</b>							
Counties	4,505,922	5,025,447	5,179,608	2,547,600	1,098,878	18,357,455	29%
Schools	5,508,340	6,150,916	7,865,233	3,612,404	2,716,447	25,853,340	41%
Cities	2,470,066	2,755,472	2,633,480	3,753,023	646,768	12,258,809	20%
Towns	345,565	290,574	127,991	142,130	23,080	929,340	1%
Villages	1,052,201	691,403	610,134	1,338,087	342,645	4,034,470	6%
Other	132,607	187,817	67,325	177,934	620,616	1,186,299	2%
<b>Total</b>	<b>14,014,701</b>	<b>15,101,629</b>	<b>16,483,771</b>	<b>11,571,178</b>	<b>5,448,434</b>	<b>62,619,713</b>	

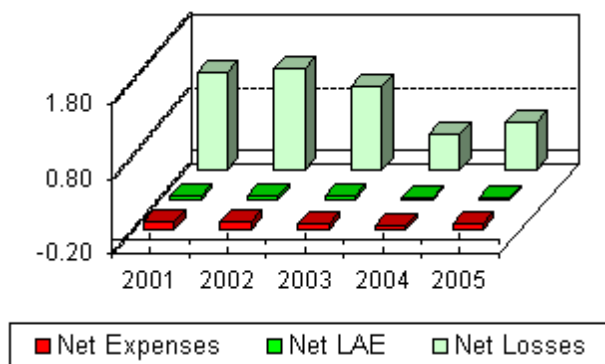
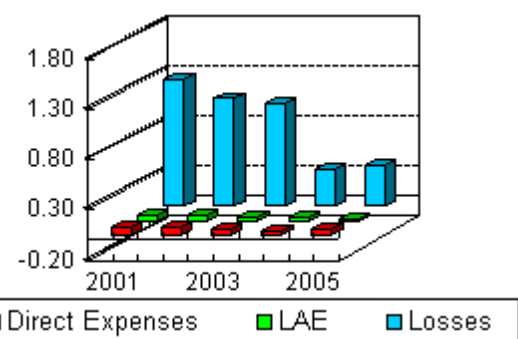
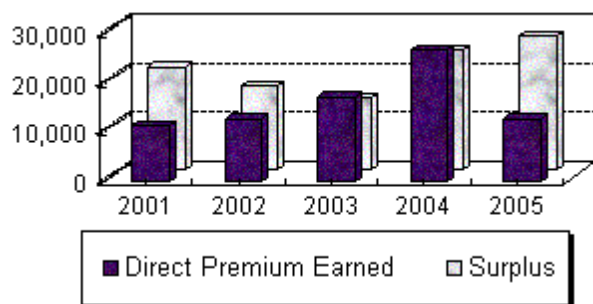
<b>Direct Losses Incurred by LINE</b>							
Fire	4,409,500	5,940,470	2,471,600	3,356,173	2,806,745	18,984,488	30%
Extended Coverage	7,499,110	7,092,797	11,793,549	5,654,354	1,721,608	33,761,418	54%
Inland Marine	80,827	143,328	13,193	22,791	23,067	283,206	0%
Burglary & Theft	19,410	97,350	147,805	123,681	123,681	511,927	1%
Sub-Total EC,IM & BT	7,599,347	7,333,475	11,954,547	5,800,826	1,868,356	34,556,551	55%
Sub-Total Non-Auto	12,008,847	13,273,945	14,426,147	9,156,999	4,675,101	53,541,039	85%
Automobile PD	2,005,854	1,827,504	2,060,122	2,389,875	871,688	9,155,043	15%
<b>Total</b>	<b>14,014,701</b>	<b>15,101,449</b>	<b>16,486,269</b>	<b>11,546,874</b>	<b>5,546,789</b>	<b>62,696,082</b>	
Claim Count	<b>2,934</b>	<b>2,330</b>	<b>1,880</b>	<b>1,729</b>	<b>652</b>	<b>9,526</b>	

<b>Direct Losses by Entity to Premium by ENTITY</b>	2001	2002	2003	2004	Fiscal 2005	TOTAL
Counties	133%	145%	121%	44%	41%	93%
Schools	169%	141%	134%	36%	56%	91%
Cities	91%	93%	62%	57%	20%	62%
Towns	67%	61%	23%	19%	7%	35%
Villages	129%	74%	43%	55%	31%	60%
Other	23%	30%	8%	14%	110%	31%
<b>Total</b>	<b>124%</b>	<b>118%</b>	<b>96%</b>	<b>43%</b>	<b>43%</b>	<b>78%</b>

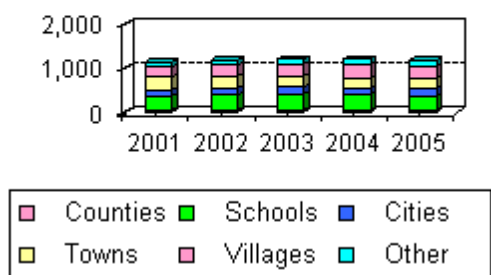
<b>Direct Losses by LINE to Premium by LINE</b>						
Fire	122%	131%	43%	43%	79%	75%
EC	220%	165%	183%	46%	26%	102%
IM	5%	10%	1%	1%	3%	4%
B&T	6%	40%	64%	46%	107%	43%
Auto	89%	81%	67%	57%	53%	68%
<b>Total</b>	<b>124%</b>	<b>118%</b>	<b>96%</b>	<b>43%</b>	<b>43%</b>	<b>78%</b>



**LOCAL GOVERNMENT PROPERTY INSURANCE FUND**  
**STATUTORY BASIS FINANCIAL SUMMARY - 2nd Quarter Ended December 31, 2004**  
(numbers in 000's except ratios)



### Policy Counts



	Fiscal Years Ended June 30,				YTD
	2001	2002	2003	2004	2005

Ending Policyholder Surplus	20,819	16,947	14,475	24,268	27,190
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#### Direct experience

Direct premium earned	11,355	12,832	17,246	26,684	12,767
Direct losses incurred	14,198	13,760	17,816	9,927	5,197
Direct lae	583	620	761	682	286
Direct underwriting expense	1,025	1,078	1,183	1,447	884

#### Operating Statement

Net premium earned	9,005	10,018	12,644	20,954	10,353
Net losses incurred	11,793	13,539	14,092	9,841	6,703
Net loss adjusting expense	583	620	761	682	286
Underwriting expense	1,025	1,079	1,183	1,447	884
Total losses & expenses	13,401	15,238	16,036	11,970	7,873
Underwriting gain(loss)	(4,396)	(5,220)	(3,392)	8,984	2,480
Investment & other income	1,714	1,348	920	809	442
Net income before dividend	(2,682)	(3,872)	(2,472)	9,793	2,922
Dividends to policyholders	0	0	0	0	0
Net income	(2,682)	(3,872)	(2,472)	9,793	2,922

Ratios	2001	2002	2003	2004	YTD 2005
<b>Direct cost per dollar</b>					
Losses	1.25	1.07	1.03	0.37	0.41
Loss adjusting expense	0.05	0.05	0.04	0.03	0.02
Underwriting expense	0.09	0.08	0.07	0.05	0.07
Total direct costs	1.39	1.20	1.14	0.45	0.50
<b>Net cost per dollar</b>					
Losses	1.31	1.35	1.11	0.47	0.65
Loss adjusting expense	0.06	0.06	0.06	0.03	0.03
Underwriting expense	0.11	0.11	0.09	0.07	0.09
Total net costs	1.48	1.52	1.26	0.57	0.77

#### Policy Statistics

Insurance Inforce (billions)	27.6	29.7	32.7	35.9	36.3
Annual Premium(millions)	11.6	13.3	21.6	26.3	25.3

#### Policy count

Counties	71	72	72	65	63
Schools	296	323	334	333	325
Cities	151	162	166	170	164
Towns	281	268	254	224	225
Villages	221	247	260	283	275
Other	113	111	120	128	120
Total	1,133	1,183	1,206	1,203	1,172



# Loss Control – Catastrophic Claims

*By: Greg Grunow, Claim Supervisor*

Wisconsin summers mean lots of weather activity. Weather can range from summer showers to tornados. Your property can sustain serious damage and result in a claim for the Fund. These losses don't always occur during regular business hours though and you may be left wondering what to do in this event. By following these 3 steps, you will be heading toward a resolution of your claim.

First, call our office at 877-229-0009 to report the claim. If you call after normal business hours, you will be given phone numbers for emergency contact.

Second, take any emergency measures necessary to protect your property. If your roof has blown off, contact a contractor to make the temporary repairs needed to protect the property.

Third, document the damages to the best of your ability. Should an adjuster need to inspect the damages, it is best to have him or her view and adjust the loss as soon as possible. Once the inspection and identification of damages has occurred, agreeing on the full scope of loss with the contractor will determine the extent of damages.

There are other factors that will facilitate a smooth claims experience.

- 1) Know your local contractors and their expertise. This will save you valuable time when calling a contractor to make emergency repairs. If there is an emergency repair contractor in your area, you may want to have their contact information available to your staff. These contractors are able to come in to a site and bring contractors who handle all areas of repairs.
- 2) Track all of your expenses relating to the loss. Your staff may be able to do some of the cleanup or cataloging of damaged personal property.
- 3) Have a specific contact person for our adjuster to meet with and inspect the damages.
- 4) If you haven't already prepared a disaster or emergency preparedness plan, you may want to consider preparing and implementing a plan. We can answer any questions you may have regarding property damage and the subsequent claims.

As always, if you have any questions relating to your policy and claims, please feel free to contact our office.

## New Claims System

*By: Greg Grunow, Claim Supervisor*

If you recently filed a claim, you may have noticed a different appearance to our correspondence,. We have converted to a new claims processing system called Pinsoft. It allows for better function and we can also capture more information regarding claims. You will also note the claim numbers assigned have a different appearance. Instead of beginning with WI0, the new claim numbers will begin with the year of report and followed by the specific number assigned. For example, a claim that was previously WI0501101, would now be listed as 20051101.

As always, should you have any questions, please give us a call.

**Local Government Property  
Insurance Fund  
LGPIF  
c/o The ASU Group  
7633 Ganser Way, Suite 206  
Madison, WI 53719**

PRSRT STD  
US POSTAGE PAID  
MADISON WI  
PERMIT NO. 1369

Return Service Requested

## **OCI Fund Website:**

Check out the Fund's Website at <http://oci.wi.gov/lgpif.htm>. This Website contains general information about the Fund, its financial reports which are updated quarterly, minutes from the Fund Advisory and Oversight Committees, an electronic copy of the Fund's valuation policy, and an electronic copy of its loss reporting form. If you have comments or suggestions about how this Website could be improved, please send those to Dan Bubolz, Insurance Program Officer, P.O., Box 7873, Madison, WI 53707 or email at [dan.bubolz@oci.state.wi.us](mailto:dan.bubolz@oci.state.wi.us)